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IMPORT DUTIES: HOW THEY SHOULD BE LEVIED

BY D. A. TOMPKINS,

President, D. A. Tompkins Company, Charlotte, N. C.; member of United States Industrial Commission, 1899-1900.

Under our form of government the principal sources of funds to cover the expenses of government are import duties, commonly referred to as the tariff. If this source of money should be cut off we would be very much embarrassed under the constitution to raise the necessary money to pay the expense of government. The amount of money necessary to be raised to cover the government expenses, which, of course, include the army and navy, has been an increasing one from the foundation of the government, but at the present time, generally speaking, and taking the average of the last few years, this sum aggregates something like a billion dollars a year, part of which is raised by internal revenue on whiskey and tobacco and otherwise, the bulk of which is obtained from the tariff on imported goods. It matters not whether the tariff is so laid as to protect certain domestic industries which need protection or whether it is laid upon products which are not raised in this country, the aggregate sum must remain about the same. Many people talk as though free trade would mean that we would pay no duties or less duties. This is not true, but it might mean that we would pay duties upon tea and coffee which are not raised in this country in preference to cotton yarns and cloths which are made in this country.

No party which is charged with conducting the United States Government could possibly have free trade. No party could materially diminish the quantity of money necessary to be raised annually to operate the government. The one question unsolved is whether the tariff shall be laid in a way to protect American industries, or whether it shall be laid upon articles we do not manufacture and thereby leave certain industries, both in agricultural and manufacturing lines, to the vicissitudes of competition with established business in Europe and elsewhere, and of cheap skilled labor in Europe and elsewhere. It would seem hardly probable that with a fair

understanding of the subject any one could offer to put American cotton yarns or American cotton cloths upon the free list and raise the money now derived from a tariff upon these articles by putting a tariff upon tea and coffee.

Yet there is very considerable dissatisfaction about the tariff. The basis of this dissatisfaction would seem to be that there is no systematic manner of ascertaining by judicial investigation, upon what articles and in what amounts the tariff should be laid. When the government was first founded the constitution provided that inventive genius should be stimulated in America by giving patents for new and valuable ideas. In the early days of the republic there was no patent office, no commissioner of patents, no force of experts to investigate the merits of a new invention. When Mr. Eli Whitney applied for his patent upon the cotton gin, President Washington handed the papers to the Attorney General to examine. Having been advised that the idea seemed a new and valuable one, the President directed his Secretary of State to prepare a patent, which was done. Three different executive officers of the government, to wit: President, Secretary of State and Attorney General, signed the patent. Let us suppose that the President of the United States should at the present time attempt to handle the patent subject and that he should require the Secretary of State and Attorney General to join him in investigating and issuing patents. It is evident that he would never do any other business except examine patents and that the three of them could not get through with 5 per cent of the business. There is now a commissioner of patents, charged with the organization of a force of expert men, whose duty it is to make a proper and full and careful examination of every application, and none doubts that in each separate case the conclusion arrived at is approximately correct. This is a subject upon which vested interests are naturally critical, but the patent office is so handled under the commission and by the experts that the loser is tolerably well satisfied in every case with the result and verdict.

In the early days of the republic the tariff was handled very much as the patent business was. Alexander Hamilton, who is the foster father of the protection idea in America, would make up a list and go over it with the President and Secretary of the Treasury and a few prominent members of Congress, and come very nearly getting a proper and satisfactory tariff list. We con-

tinue this unsystematic method even to the present day, while interests have multiplied many fold and the variety of industries has increased many fold. We are still expecting a small committee of Congress to make a tariff list in about a month. There are approximately 4,000 items on the tariff list. No rational man would possibly hold that a committee of Congress in a month or six months could handle these items with any degree of intelligence or that their conclusions would be approximately what would serve the best interest. Under the present system some of the trusts get many times more than they are entitled to, while some wholesome industries get less than they are entitled to. Times so change that certain items need revision every six months. Certain other items would not need revision in six years. Sweeping changes along the whole list at any time mean disturbance of the whole industrial condition of the country.

The proper system would seem to be more or less similar to that which has been developed for handling patents. If we had a semi-judicial commission with a corps of experts and a big official building to be called the tariff office like the patent office, and one subject at a time was put into the hands of the experts in the department suited to that item, then upon the basis of its findings, Congress might well make a tariff that would at the same time:

- (1) Raise the revenue necessary to run the government, and no more than was necessary.
- (2) Protect each industry, and no more than protect it.
- (3) Protect American labor, and no more than protect it.
- (4) By the reduction of duties remove the unnecessary and extravagant protection from articles manufactured by combinations and trusts.

Such a tribunal might recommend raising as well as lowering the tariff, and through such a tribunal corrections of the tariff list could be carried on at all times and would never upset the country by wholesale revision all at once.

There is an impression that the manufacturer gets all the benefit of protective duties. If duties are properly laid, no one gets more benefit than the farmer. Omitting the case where the article which he raises is protected, as, for example, in the case of sugar and wool, yet in every case the farmer gets indirect benefits which even exceed those derived by the factory itself. Fifteen years ago the

price of cotton throughout the South was five cents per pound. To-day the price exceeds ten cents per pound. The building of factories has contributed to this increase in the price of cotton more than any other one cause. The manner in which the factories have done this is as follows:

(1) They have drawn labor out of competition of cotton production into the factories.

(2) The factories have increased the consumption of cotton.

(3) The factories have made markets for perishable farm products.

Therefore the little protection given to cotton yarns and cotton cloths not only helps to support and maintain the manufacture of these in America, but goes directly to double the price of cotton.

Considering the necessity of raising the bulk of the expense money for the government by the tariff, the talk of free trade is more than idle. Clearly the idea of a prohibitive tariff would be foolish. If we should divide the American public into four parts according to opinion on this subject of free trade and tariff, not more than 10 per cent would stand for free trade. Probably 40 per cent would stand for a tariff for revenue, which incidentally protected American industries. Probably another 40 per cent would stand for tariff for protection which incidentally raised the necessary money to pay the government expenses. Probably 10 per cent would be for prohibitive tariff. In the face of this division, that 40 per cent which stands for revenue with incidental protection follow the lead of the 10 per cent free traders. That other 40 per cent which stands for protection which incidentally raises revenue follow the 10 per cent of prohibitive tariff leaders. In reality the difference between the two greater divisions is not so much as between "tweedledum" and "tweedledee," and yet the two sets of extremists keep these divided. With a semi-judicial commission this would disappear. The controversy by the public over the subject of tariff would disappear, because the results of the judicious investigation and intelligent study of each subject by experts would give results in each case that none of us could controvert.

The institution of slavery as it grew in the South dried up industrial interests. It gradually brought the South to a condition of agricultural activity handled by slave labor. In this situation, with no industrial interests to protect and no particular class of

labor to protect, the general belief in the idea of free trade grew. As industries are now developing again under free institutions and as the labor of the South is now again free and ambitious of better living, the South has a renewed interest in the subject of protection for its industries and its labor as well as a renewed interest in withdrawing tariff protection from combinations and trusts. What applies to the South with reference to protection, naturally applies to the rest of the United States. Every part of the country would be served if the tariff could be handled by a semi-judicial commission and in departments where experts could investigate each item and findings be made as satisfactory as those now made upon the subject of patents.

Without such scientific investigation to ascertain the facts, either by a government or some other competent tribunal, it is impossible to discuss the duties on textiles or any other items intelligently.